

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Gladwin County	County Gladwin
Fiscal Year End 2005	Opinion Date April 12, 2006	Date Audit Report Submitted to State June 28, 2006	

We affirm that:

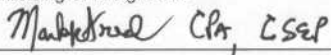
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO   **Check each applicable box below.** (See instructions for further detail.)
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  4. ☒ ☐ The local unit has adopted a budget for all required funds.
  5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  11. ☐ ☒ The local unit is free of repeated comments from previous years.
  12. ☒ ☐ The audit opinion is UNQUALIFIED.
  13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Burnside & Lang, P.C.		Telephone Number 989-835-7721	
Street Address 5915 Eastman Avenue, Suite 100		City Midland	State   Zip MI   48640
Authorizing CPA Signature 	Printed Name Mark R. Freed		License Number 1101012221

**THE COUNTY OF  
GLADWIN, MICHIGAN**

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**FINANCIAL STATEMENTS**  
For The Year Ended December 31, 2005

GLADWIN COUNTY, MICHIGAN  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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GLADWIN COUNTY

BOARD OF COMMISSIONERS

Terry Whittington  
Chairperson

Mike Hargrave  
Lou Kalinowski  
Bill Rhode  
Thomas Hoag  
Frank Grimes  
Josh Reid

COURT JUDGES

Gary J. Allen	District Judge
Thomas P. McLaughlin	Probate Judge
Thomas R. Evans	Circuit Judge

ELECTED ROAD COMMISSIONERS

Doyle Donn	Chairperson
Robert Pettit	Vice-Chair
Keith Edick	Member

OTHER ELECTED OFFICIALS

Sherry Augustine	Drain Commissioner
Michael Shea	Sheriff
Mary Hess	Prosecuting Attorney
Bonnie K. House	Register of Deeds
Laura E. Flach	Clerk
Christy VanTiem	Treasurer

GLADWIN COUNTY  
December 31, 2005

COUNTY POPULATION-2000 CENSUS  
26,023

STATE EQUALIZED VALUE-2005  
\$1,153,786,343

STATE TAXABLE VALUE-2005  
\$807,153,007

**Independent Auditors' Report**

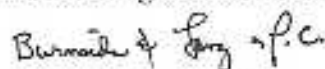
Members of the  
Board of Commissioners of  
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gladwin County, Michigan (the "County"), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gladwin County, Michigan, as of December 31, 2005, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 12, 2006, on our consideration of Gladwin County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



Burnside & Lang, P.C.  
April 12, 2006

**GLADWIN COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2005**

As management of the Gladwin County (the "County"), Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

**Financial Highlights**

- The assets of the primary government exceeded its liabilities at the close of the most recent fiscal year by \$7,958,454 (net assets). Of this amount, \$6,945,731 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental activities reported combined ending net assets of \$4,632,364. Approximately 78% percent of this total amount, \$3,619,641, is available for spending at the government's discretion (unrestricted net assets).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$594,577, or approximately 8% percent of total general fund expenditures (Total Expenditures and Other Financing Uses).

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**GLADWIN COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2005**

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include general government, public safety, public works, health and welfare, community and economic development, recreation and cultural and other functions. Business-type activities include delinquent tax collections, public transit and an operation of an internal service fund.

The County's financial statements also include legally separate entities (component units) for which the County is financially accountable. The component units include County Road Commission, City County Transit System, Drain Commission, Department of Public Works, and the Building Authority. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

**Fund Financial Statements.** A fund is a grouping of related accounts and is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds.* Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The County maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Gypsy Moth Fund, each of which is considered to be a major fund. Data for the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

**GLADWIN COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2005**

*Proprietary funds.* The County maintains only one type of proprietary funds: internal service funds. The Internal service funds are used to accumulate and allocate costs internally among the County's various functions. These funds account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost reimbursement basis, or for the purchase of delinquent real property taxes from local units of government.

The Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only with more detail. The proprietary fund financial statements provide separate information for each enterprise fund, since two (2) of the three (3) funds are considered major funds.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budgetary comparison schedules.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

**Government-Wide Financial Analysis**

The government-wide financial statements focus on the net assets and changes in net assets of the governmental and business-type activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the County's assets exceeded its liabilities by \$7,958,454 at December 31, 2005.

**GLADWIN COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2005**

**Gladwin County's Net Assets**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
	<b>2005</b>	<b>2005</b>	<b>2005</b>
<b>Assets</b>			
Current assets	\$ 10,710,106	\$ 5,091,574	\$ 15,801,680
Non-current assets	1,006,423	–	1,006,423
Total assets	11,716,529	5,091,574	16,808,103
<b>Liabilities</b>			
Current	6,723,788	1,765,484	8,489,272
Non-current	360,377	–	360,377
Total liabilities	7,084,165	1,765,484	8,849,649
<b>Net Assets</b>			
Invested in capital assets – net	1,006,423	–	1,006,423
Restricted	6,300	–	6,300
Unrestricted	3,619,641	3,326,090	6,945,731
Total net assets	\$ 4,632,364	\$ 3,326,090	\$ 7,958,454

The largest portion of the County's net assets, \$6,945,731 (87% percent) represents unrestricted net assets that may be used to meet the County's ongoing obligations to citizens and creditors.

An additional portion of the County's net assets, \$1,006,423 (13% percent) reflects its investment in capital assets (i.e., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$6,300 represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the County is able to report positive balances in all three categories (invested in capital assets-net of related debt, restricted and unrestricted) of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**GLADWIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2005**

**Financial Analysis of the County's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2005, the County's governmental funds reported combined ending fund balances of \$3,986,318. This was primarily due to increases in grant funding and charge for service fees. Of the fund balance amount, \$3,980,018 constitutes unreserved fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$594,577, with a total fund balance of \$600,877. Unreserved fund balance represents approximately 8% percent of total general fund expenditures (Total Expenditures and Other Financing Uses). This is primarily attributable to decreases in grant funded and charges for service fees revenue areas and significant increases in employee health insurance.

The County's Gypsy Moth fund had a total fund balance of \$1,069,029 as a result of continued low gypsy moth infestation.

The County's Other Governmental funds had an ending fund balance of \$2,316,412, all of which was unreserved.

*Proprietary funds.* The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at year-end amounted to \$3,326,090.

**FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NONMAJOR FUNDS**

As the County completed the fiscal year 2005, its governmental funds reported combined fund balances of \$3,986,318.

**General Fund Budgetary Highlights**

Differences between the original and final amended budgets for revenue (revenue and other financing sources) resulted in a 6% percent increase, (\$360,255 increase in appropriations). The projected increases were primarily attributed to additional state aid funds and additional reimbursements.

**GLADWIN COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2005**

Differences between the original and final amended budgets for expenditures (expenditures and other financing uses) resulted in a 5% percent increase, (\$361,485 increase in appropriations).

Overall during the year, general fund revenues (revenue and other financing sources) were minimally below the budgetary estimates by \$213,572 or 3%. No area showed a noticeable variance. Expenditures (expenditures and other financing uses) were also minimally less than budgetary estimates overall (\$71,771 or 1%). This resulted in an actual decrease in fund balance of \$199,982 as compared to budgeted (anticipated) use of fund balance of \$149,650.

Budget to actual comparisons for the vast majority of the County's special revenue funds were favorable.

**Gypsy Moth Fund Budgetary Highlights**

There were no changes in the original budgeted amounts for the Gypsy Moth Fund for the year ended December 31, 2005.

Overall during the year, general fund revenues (revenue and other financing sources) were above the budgetary estimates by \$26,185 or 56%. No area showed a noticeable variance. Expenditures (expenditures and other financing uses) were less than budgetary estimates overall (\$2,346 or 3%). This resulted in an actual decrease in fund balance of \$11,518 as compared to budgeted (anticipated) use of fund balance of \$40,049.

**Capital Asset and Debt Administration**

**Capital assets.** The County's investment in capital assets for its governmental activities as of December 31, 2005, amounted to \$497,917, (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment and vehicular equipment.

Major capital assets during the current fiscal year included the following:

Equipment	\$ 463,652
Vehicles	<u>34,265</u>
Total	<u>\$ 497,917</u>

Additional information on the County's capital assets can be found in Note 4 of this report.

**GLADWIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2005**

**Long-term debt.** Debt is classified as long-term if it matures in a period greater than one year. At the end of the current fiscal year, the primary government had total debt outstanding of \$360,377.

Additional information on the County's long-term debt can be found in Note 6 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the County's 2006 budget:

- Property tax revenues are projected to increase 6 percent in 2006.
- Inflationary trends in the region compare favorably to national indices.
- The worsening state economy will result in decreasing state funding, particularly in State Income Tax (i.e., State Revenue Sharing).

Highlights of the 2005 budget are as follows:

- The County Board of Commissioners adopted several fiscal policies on Use of Fund Balance, Use of Delinquent Tax Fund that provides guidelines for long-term fiscal health.
- The County budgeted a contingency of \$49,905 as a means of anticipating unexpected revenue shortfalls and/or over-expenditures.

During the current fiscal year, unreserved fund balance in the general fund totaled \$594,577. The general rule of thumb is that fund balances can be used to help government weather bad times, but should not be used as a means of funding routine operations. For the 2006 budget, the County plans to continue progress on reducing reliance upon fund balance in the general fund.

**Contacting the County's Management**

This financial report is designed to provide a general overview of the County's finances to all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to County Administrator, County of Gladwin, 401 West Cedar Avenue, Gladwin, Michigan 48624.

**GLADWIN COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**December 31, 2005**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,926,569	\$ 2,183,446	\$ 6,110,015	\$ 1,762,333
Accounts receivable, net	30,115	-	30,115	1,048,035
Taxes receivable, net	5,192,737	1,144,215	6,336,952	1,364,850
Other receivables, net	-	-	-	1,570,000
Due from other funds	1,509,805	18,913	1,528,718	77,300
Due from other governmental units	44,580	-	44,580	17,854
Inventory	-	-	-	267,011
Prepaid items	-	-	-	74,978
Advances to other funds	6,300	1,745,000	1,751,300	-
Other assets	-	-	-	20,682
Capital assets:				
Land	300,327	-	300,327	122,360
Buildings and improvements, net	-	-	-	1,375,581
Equipment, net	654,609	-	654,609	3,928,959
Vehicles, net	51,487	-	51,487	-
Infrastructure	-	-	-	8,159,699
Construction in progress	-	-	-	190,265
Total capital assets	1,006,423	-	1,006,423	13,776,864
<b>Total assets</b>	<b>11,716,529</b>	<b>5,091,574</b>	<b>16,808,103</b>	<b>19,979,907</b>
<b>LIABILITIES</b>				
Accounts payable	170,996	1,571	172,567	300,284
Accrued expenses	750	-	750	90,025
Due to other funds	1,359,305	18,913	1,378,218	227,800
Advances from other governmental units	-	-	-	155,286
Advances from other funds	-	1,745,000	1,745,000	6,300
Deferred revenue	5,192,737	-	5,192,737	1,449,268
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and contracts payable	-	-	-	328,127
Portion due or payable after one year:				
Bonds and contracts payable	-	-	-	4,786,872
Compensated absences	360,377	-	360,377	310,611
<b>Total liabilities</b>	<b>7,084,165</b>	<b>1,765,484</b>	<b>8,849,649</b>	<b>7,654,573</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,006,423	-	1,006,423	8,661,865
Restricted for:				
Long-term advances to other funds	6,300	-	6,300	-
Debt service	-	-	-	-
Unrestricted	3,619,641	3,326,090	6,945,731	3,663,469
<b>Total net assets</b>	<b>\$ 4,632,364</b>	<b>\$ 3,326,090</b>	<b>\$ 7,958,454</b>	<b>\$ 12,325,334</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2005**

Activities:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
<b>Governmental:</b>								
General government	\$ 3,983,507	\$ 1,307,538	\$ -	\$ -	\$ (2,675,969)		\$ (2,675,969)	
Public safety	3,493,058	273,916	-	-	(3,219,142)		(3,219,142)	
Public works	282,990	342,520	-	-	59,530		59,530	
Community and economic development	1,614,820	-	-	-	(1,614,820)		(1,614,820)	
Recreation and culture	180,956	-	-	-	(180,956)		(180,956)	
Interest and fiscal charges	-	-	-	-	-		-	
Total governmental activities	9,555,331	1,923,974	-	-	(7,631,357)		(7,631,357)	
<b>Business-type:</b>								
Tax Revolving	169,127	23,361	-	-		\$ (145,766)	(145,766)	
Total business-type activities	169,127	23,361	-	-		(145,766)	(145,766)	
Total Primary Government	\$ 9,724,458	\$ 1,947,335	\$ -	\$ -	(7,631,357)	(145,766)	(7,777,123)	
<b>Component units:</b>								
Public works	6,276,489	2,388,878	3,933,112	448,753				
Interest and fiscal charges	164,152	-	-	-				
Total component units	\$ 6,440,641	\$ 2,388,878	\$ 3,933,112	\$ 448,753				\$ 330,102
General revenues:								
Property taxes, levied for general purposes					6,091,596	195,061	6,286,657	2,161,880
Federal aid					258,072	-	258,072	-
State aid					847,911	-	847,911	-
Local contributions					-	-	-	94,468
Investment earnings					164,650	271,479	436,129	73,409
Miscellaneous					378,566	86,746	465,312	95,517
Transfers					(195,247)	157,520	(37,727)	-
Total general revenues and transfers					7,545,548	710,806	8,256,354	2,425,274
Change in net assets					(85,809)	565,040	479,231	2,755,376
Net assets-beginning					4,718,173	2,761,050	7,479,223	9,569,958
<b>Net assets-ending</b>					<b>\$ 4,632,364</b>	<b>\$ 3,326,090</b>	<b>\$ 7,958,454</b>	<b>\$ 12,325,334</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31,2005**

	<u>General</u>	<u>Gypsy Moth</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,347,781	\$ 1,070,092	\$ 1,508,696	\$ 3,926,569
Receivables (net)				
Taxes	2,473,776	-	2,718,961	5,192,737
Accounts receivable	18,336	-	11,779	30,115
Due from other governmental units	-	-	44,580	44,580
Due from other funds	723,724	-	786,081	1,509,805
Advances to other funds	6,300	-	-	6,300
<b>Total assets</b>	<b><u>\$ 4,569,917</u></b>	<b><u>\$ 1,070,092</u></b>	<b><u>\$ 5,070,097</u></b>	<b><u>\$ 10,710,106</u></b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 140,514	\$ 1,063	\$ 29,419	\$ 170,996
Due to other governmental units	-	-	-	-
Due to other funds	1,354,000	-	5,305	1,359,305
Deferred revenue				
Taxes and assessments	2,473,776	-	2,718,961	5,192,737
Other liabilities	750	-	-	750
<b>Total liabilities</b>	<b><u>3,969,040</u></b>	<b><u>1,063</u></b>	<b><u>2,753,685</u></b>	<b><u>6,723,788</u></b>
<b>Fund balance</b>				
Reserved				
Long-term advances to other funds	6,300	-	-	6,300
Unreserved				
Undesignated	594,577	1,069,029	2,316,412	3,980,018
<b>Total fund balance</b>	<b><u>600,877</u></b>	<b><u>1,069,029</u></b>	<b><u>2,316,412</u></b>	<b><u>3,986,318</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 4,569,917</u></b>	<b><u>\$ 1,070,092</u></b>	<b><u>\$ 5,070,097</u></b>	<b><u>\$ 10,710,106</u></b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**December 31, 2005**

Total fund balances for governmental funds (Exhibit 4)	\$	3,986,318
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	300,327	
Building & improvements, net of \$1,568,964 accumulated depreciation		-	
Equipment, net of \$1,004,541 accumulated depreciation		654,609	
Vehicles, net of \$231,025 accumulated depreciation		<u>51,487</u>	
Total capital assets			1,006,423

Compensated absences:

Accrued vacation and sick leave	\$	<u>(360,377)</u>	
			<u>(360,377)</u>

Total net assets of governmental activities (Exhibit 2)	\$	<u><u>4,632,364</u></u>
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The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	<u>General</u>	<u>Gypsy Moth</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>				
Property taxes and related fees	\$ 3,415,299	\$ -	\$ 2,676,297	\$ 6,091,596
Licenses and permits	273,563	-	-	273,563
Federal aid	169,084	-	88,988	258,072
State aid	581,632	36,276	230,003	847,911
Contributions from local units	22,600	-	(26,130)	(3,530)
Charges for services	1,307,538	-	342,520	1,650,058
Fines, fees, and forfeits	-	-	353	353
Interest and dividends	69,004	35,188	60,458	164,650
Miscellaneous	357,218	1,186	23,692	382,096
<b>Total revenues</b>	<b><u>6,195,938</u></b>	<b><u>72,650</u></b>	<b><u>3,396,181</u></b>	<b><u>9,664,769</u></b>
<b>EXPENDITURES</b>				
Legislative	\$ 178,734	\$ -	\$ -	\$ 178,734
Judicial	1,345,606	-	12,482	1,358,088
General government	1,595,264	-	72,269	1,667,533
Public safety	3,411,828	-	81,230	3,493,058
Public works	3,941	-	279,049	282,990
Health and welfare	480,279	-	1,134,541	1,614,820
Recreation and culture	13,560	-	167,396	180,956
Other	344,440	84,168	9,991	438,599
Capital outlay	136,186	-	361,731	497,917
<b>Total expenditures</b>	<b><u>7,509,838</u></b>	<b><u>84,168</u></b>	<b><u>2,118,689</u></b>	<b><u>9,712,695</u></b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b><u>(1,313,900)</u></b>	<b><u>(11,518)</u></b>	<b><u>1,277,492</u></b>	<b><u>(47,926)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation to new entity	-	-	(445,247)	(445,247)
Transfers-in	1,303,218	-	565,579	1,868,797
Transfers-out	(189,300)	-	(1,429,497)	(1,618,797)
<b>Total other financing sources and uses</b>	<b><u>1,113,918</u></b>	<b><u>-</u></b>	<b><u>(1,309,165)</u></b>	<b><u>(195,247)</u></b>
<b>Net change in fund balances</b>	<b><u>(199,982)</u></b>	<b><u>(11,518)</u></b>	<b><u>(31,673)</u></b>	<b><u>(243,173)</u></b>
Fund balances-beginning (as restated*)	<u>800,859</u> *	<u>1,080,547</u>	<u>2,348,085</u>	<u>4,229,491</u>
<b>Fund balances-ending</b>	<b><u>\$ 600,877</u></b>	<b><u>\$ 1,069,029</u></b>	<b><u>\$ 2,316,412</u></b>	<b><u>\$ 3,986,318</u></b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUE,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**December 31, 2005**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (243,173)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$497,917) exceeded depreciation (\$185,464) in the current period. 312,453

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Compensated absences (155,089)

Change in net assets of governmental activities (Exhibit 3) \$ (85,809)

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**December 31, 2005**

	Tax Revolving Funds						
	2002 Tax Revolving	2003 Tax Revolving	2004 Tax Revolving	2005 Tax Revolving	Unallocated Tax Revolving	Total Tax Revolving	Total Proprietary Funds
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ -	\$ 197,587	\$ 543,875	\$ 8,261	\$ 689,394	\$ 1,439,117	\$ 2,183,446
Accounts receivable, net							
Taxes	22,266	31,447	197,938	848,455	44,109	1,144,215	1,144,215
Due from other funds	18,913	-	-	-	-	18,913	18,913
Advances to other funds	145,000	600,000	-	-	1,000,000	1,745,000	1,745,000
Total current assets	186,179	829,034	741,813	856,716	1,733,503	4,347,245	5,091,574
<b>Total assets</b>	<b>186,179</b>	<b>829,034</b>	<b>741,813</b>	<b>856,716</b>	<b>1,733,503</b>	<b>4,347,245</b>	<b>5,091,574</b>
<b>LIABILITIES</b>							
Current liabilities:							
Accrued expenses	-	-	-	-	-	-	1,571
Due to other funds	-	18,913	-	-	-	18,913	18,913
Advances from other funds	-	500,000	500,000	745,000	-	1,745,000	1,745,000
<b>Total liabilities</b>	<b>-</b>	<b>518,913</b>	<b>500,000</b>	<b>745,000</b>	<b>-</b>	<b>1,763,913</b>	<b>1,765,484</b>
<b>NET ASSETS</b>							
Unrestricted	186,179	310,121	241,813	111,716	1,733,503	2,583,332	3,326,090
<b>Total net assets</b>	<b>\$ 186,179</b>	<b>\$ 310,121</b>	<b>\$ 241,813</b>	<b>\$ 111,716</b>	<b>\$ 1,733,503</b>	<b>\$ 2,583,332</b>	<b>\$ 3,326,090</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2005**

	Tax Revolving Funds						Total	
	2002 Tax Revolving	2003 Tax Revolving	2004 Tax Revolving	2005 Tax Revolving	Unallocated Tax Revolving	Total Tax Revolving	Tax Reversion	Proprietary Funds
OPERATING REVENUES								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,361	\$ 23,361
Total operating revenues	-	-	-	-	-	-	23,361	23,361
OPERATING EXPENSES								
Personal services	-	-	-	-	-	-	72,989	72,989
Fringe benefits	-	-	-	-	-	-	33,603	33,603
Supplies	-	-	-	-	-	-	3,085	3,085
Fees and charges	-	-	-	6,824	-	6,824	40,986	47,810
Other	-	-	-	-	-	-	4,485	4,485
Capital outlay	-	-	-	-	-	-	-	-
Debt service								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	964	6,191	-	7,155	-	7,155
Total operating expenses	-	-	964	13,015	-	13,979	155,148	169,127
Operating income (loss)	-	-	(964)	(13,015)	-	(13,979)	(131,787)	(145,766)
NONOPERATING REVENUES (EXPENSES)								
Property taxes and related fees	43	5,622	23,147	63,209	-	92,021	103,040	195,061
Interest and dividends income	5,047	60,994	103,170	61,522	18,712	249,445	22,034	271,479
Gain (loss) on sale of assets	-	-	-	-	-	-	86,746	86,746
Total nonoperating revenue (expenses)	5,090	66,616	126,317	124,731	18,712	341,466	211,820	553,286
Income (loss) before capital grants and transfers	5,090	66,616	125,353	111,716	18,712	327,487	80,033	407,520
TRANSFERS								
Transfers in	-	-	-	-	171,558	171,558	-	171,558
Transfers (out)	(171,558)	-	-	-	(250,000)	(421,558)	-	(421,558)
Changes in net assets	(166,468)	66,616	125,353	111,716	(59,730)	77,487	80,033	157,520
Total net assets-beginning	352,647	243,505	116,460	-	1,793,233	2,505,845	662,725	3,168,570
Total net assets-ending	\$ 186,179	\$ 310,121	\$ 241,813	\$ 111,716	\$ 1,733,503	\$ 2,583,332	\$ 742,758	\$ 3,326,090

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**PROPRIETARY FUND STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2005**

	Tax Revolving Funds							Total Proprietary Funds
	2002 Tax Revolving	2003 Tax Revolving	2004 Tax Revolving	2005 Tax Revolving	Unallocated Tax Revolving	Total Tax Revolving	Tax Reversion	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Cash received from customers	\$ 12,294	\$ 147,556	\$ 586,905	\$ (848,455)	\$ 1,481	\$ (100,219)	\$ 23,361	\$ (76,858)
Cash payments to suppliers for goods and services	-	-	-	(6,824)	-	(6,824)	(48,556)	(55,380)
Cash payments to employees and related taxes and insurance	-	-	-	-	-	-	(105,021)	(105,021)
Other operating revenues (expenses)	-	-	(964)	(6,191)	-	(7,155)	-	(7,155)
Net cash provided (used) by operating activities	12,294	147,556	585,941	(861,470)	1,481	(114,198)	(130,216)	(244,414)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Property taxes	43	5,622	23,147	63,209	-	92,021	103,040	195,061
Interfund loans-proceeds and collections	(163,913)	(562,674)	54,507	745,000	-	72,920	6,947	79,867
Transfers in	-	-	-	-	171,558	171,558	-	171,558
Transfers (out)	(171,558)	-	-	-	(250,000)	(421,558)	-	(421,558)
Net cash provided (used) by noncapital financing activities	(335,428)	(557,052)	77,654	808,209	(78,442)	(85,059)	109,987	24,928
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Purchases and construction of capital assets	-	-	-	-	-	-	-	-
Interest paid on capital debt	-	-	(224,000)	-	-	(224,000)	-	(224,000)
Net cash provided (used) by capital and related financing activities	-	-	(224,000)	-	-	(224,000)	-	(224,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Proceeds from sale of assets	-	-	-	-	-	-	86,746	86,746
Purchases of investments	-	-	-	-	-	-	-	-
Interest and dividends	5,047	60,994	103,170	61,522	18,712	249,445	22,034	271,479
Net cash provided (used) by investing activities	5,047	60,994	103,170	61,522	18,712	-	108,780	86,746
Net increase (decrease) in cash equivalents	(318,087)	(348,502)	542,765	8,261	(58,249)	(423,257)	88,551	(356,740)
Cash balance at the beginning of year	318,087	546,089	1,110	-	747,643	1,612,929	655,778	2,268,707
<b>Cash balance at the end of the year</b>	<b>\$ -</b>	<b>\$ 197,587</b>	<b>\$ 543,875</b>	<b>\$ 8,261</b>	<b>\$ 689,394</b>	<b>\$ 1,439,117</b>	<b>\$ 744,329</b>	<b>\$ 2,183,446</b>
Displayed as:								
Cash and cash equivalents at end of year	\$ -	\$ 197,587	\$ 543,875	\$ 8,261	\$ 689,394	\$ 1,439,117	\$ 744,329	\$ 2,183,446
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>								
Operating income (loss)	\$ -	\$ -	\$ (964)	\$ (13,015)	\$ -	\$ (13,979)	\$ (131,787)	\$ (145,766)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Interest on debt service	-	-	-	-	-	-	-	-
Change in assets and liabilities:								
Receivables, net	12,294	147,556	586,905	(848,455)	1,481	(100,219)	-	(100,219)
Accrued expenses	-	-	-	-	-	-	1,571	1,571
Net cash provided (used) by operating activities	\$ 12,294	\$ 147,556	\$ 585,941	\$ (861,470)	\$ 1,481	\$ (114,198)	\$ (130,216)	\$ (244,414)

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**December 31, 2005**

	<u><b>Trust and Agency Fund</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,158,976
Other receivables	-
Total assets	<u>1,158,976</u>
<b>LIABILITIES</b>	
Due to other funds	-
Other liabilities	1,158,976
Total liabilities	<u>1,158,976</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Gladwin County (the “County”) was organized in 1875, covers an area of 503 square miles divided into 15 townships and 2 cities, and has 26,023 residents (based on the 2000 census). The county seat is located in the City of Gladwin. The County of Gladwin operates under an elected Board of Commissioners (7 members) and provides many services to its residents including law enforcement, administration of justice, community enrichment and development and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County’s more significant accounting policies are described below.

**A. Reporting Entity**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 “The Financial Reporting Entity”, these financial statements present the County (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included. The component unit columns in the combined financial statements include the financial data of the County’s component units, which are reported in a separate column to emphasize that they are legally separate from the County.

**Discretely Presented Component Units**

The following component units are reported within the “component unit” column in the financial statements. The discretely presented component unit is an entity that is legally separate from the County, but for which the unit is financially accountable, or its relationship with the County is such that exclusion would cause the units financial statements to be misleading or incomplete.

Road Commission – The Gladwin County Road Commission, which is established pursuant to the County Road Law (MCL 244.1), is governed by an elected 3 member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, Road Commission’s taxes are levied under the taxing authority of the County, as approved by the County electors, and are included as part of the County’s total tax levy and reported in the County Road Fund.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

City-County Transit System – The Gladwin City-County Transit System, a component unit of Gladwin County, is a county-wide transportation system created by an interlocal agreement dated June 22, 1981 between the County of Gladwin and the City of Gladwin. Pursuant to the interlocal agreement, administrative control of the system was transferred to the Gladwin City Housing Commission with the County Treasurer acting as fiscal agent for the system.

The Gladwin City-County Transit System may not issue debt and the tax levy is subject to County Board of Commissioners approval. The transit taxes are levied under the taxing authority of the County, as approved by the County electors, and are included as part of the County's total tax levy and are reported in the City-County Transit Fund.

Drain Commission – Pursuant to the Drain Code of 1956, the Drain Commissioner has the responsibility to administer the State Drain Code. The Drain Commissioner is responsible for planning, developing, and maintaining surface water drainage systems within the County. The Drain Commissioner may issue debt or levy a tax as authorized by the Drain Code without the approval of the County Board of Commissioners. The financial statements of the Drain Commission are presented as part of Exhibits 2 and 3.

Department of Public Works – Pursuant to Michigan Compiled Law 123.732, the County of Gladwin entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the County Board of Commissioners and under the immediate control of a Board of Works, which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The Board manages water supply and sanitary sewer system construction projects that are bonded by the County of Gladwin. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the Gladwin County Board of Commissioners. The financial statements for the Department of Public Works are presented as part of Exhibits 2 and 3.

Complete financial statements of the individual component units can be obtained from their respective administrative offices or from the County Clerk's Office at the Courthouse.

**Administrative Offices**

Gladwin County Road Commission  
301 South State Street  
Gladwin, MI 48624

Gladwin County Drain Commission  
555 West Cedar Avenue  
Gladwin, MI 48624

Gladwin City-County Transit  
Gladwin City Housing Commission  
215 South Antler  
Gladwin, MI 48624

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Administrative Offices (continued)**

Gladwin County Department of Public Works  
401 West Cedar Avenue  
Gladwin, MI 48624

**Joint Organizations**

Central Michigan District Health Department – Gladwin, Clare, Arenac, Isabella, Osceola, and Roscommon Counties participate jointly in the operation of the Central Michigan District Health Department. All of the financial operations of the District Health Department are recorded in the records of Isabella County.

The funding formula approved by the member counties is based pro-rata on each unit's population and equalized valuation to the District total population and valuation. Member counties' percentages of the net operating budget for the year of 2005 were:

Gladwin	14.37%	Isabella	28.50%
Clare	16.85%	Osceola	12.44%
Arenac	10.54%	Roscommon	17.30%

Central Michigan Community Mental Health Services – The Central Michigan Community Mental Health Service Board consists of the Counties of Gladwin, Clare, Isabella, Mecosta, Midland, and Osceola. Financial records for the board are recorded and maintained by Isabella County. The funding formula is based on the ratio of population of each County to the total district's population for the net cost of administration and district programs and 100 percent of the net costs of the individual County programs. For the fiscal year ended September 30, 2005, the actual County contribution percentages were:

Gladwin	7.78%	Mecosta	14.19%
Clare	11.82%	Midland	38.89%
Isabella	18.39%	Osceola	8.93%

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Other Joint Organizations**

City-County Airport and Bayanet – The City-County Airport and Bayanet (joint narcotics agency) are not considered blended or discrete component units of Gladwin County per GASB 14 and therefore their financial statements are not presented with the County.

Related disclosures for the County's component units have been incorporated into the notes to the general purpose financial statements and are referenced to the above mentioned component units when applicable.

**Related Organizations**

Northern Michigan Substance Abuse Services, Inc. (NMSAS) – Gladwin County, in conjunction with thirty-one (31) other counties, has entered into an agreement which created the Northern Michigan Substance Abuse Services, Inc. This organization's board is composed of one member appointed by the board of commissioners from each of the participating counties.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenue susceptible to accrual includes property taxes, state revenue sharing and interest.

The County reports the following major governmental type funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes, State and Federal aid and charges for services to provide for the administration and operation of (1) general County governmental departments, boards, and commission; (2) court systems; (3) law enforcement; and (4) health, welfare, and medical assistance.

The **Gypsy Moth Fund** accounts for the State revenues for providing citizens with services to help control gypsy moths.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(continued)**

The County reports the following major proprietary type funds:

The **Enterprise Funds** account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City-County Transit Fund is the only enterprise fund.

The **Internal Service Funds** account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost reimbursement basis, or for the purchase of delinquent real property taxes from local units of government.

The **Tax Revolving Funds** account for money advanced by the County to other local taxing units and various county funds to pay their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

Additionally, the County reports the following fund types:

The **Special Revenue Funds** account for specific revenue (other than special assessments, expendable trust, or major capital projects) derived from State and Federal grants, general fund appropriations, and charges for services which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

The **Debt Service Funds** account for revenues which are restricted for the payment of principal and interest on debt recorded in the general long-term debt account group.

The **Capital Projects Funds** account for the acquisition or construction of major facilities other than those financed by proprietary fund operations or special assessments.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(continued)**

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. The County's investment policies are governed by State statutes. Statutes authorize the County to invest in obligations of the U.S. Treasury and agencies (either individually or in pooled funds), domestic certificates of deposit, commercial paper with prescribed ratings and repurchase agreements. The terms of investments and financial institutions used for investments purposes are determined based upon County needs.

**Deposits and Investments**

Investments consist of certificates of deposit and U.S. Government Securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables and Payables**

In general, activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of the interfund loans) or “advances to/from other funds” (i.e., the non-current portion of the interfund loans). All other outstanding balance between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**Inventories and Prepaid Items**

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

**Restricted Assets**

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

**Deferred Revenue**

Deferred revenue consists of amounts related to long-term receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred and also amounts received for various grant programs that has not yet been earned.

**Interfund Transactions**

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, if any, during the construction of capital assets of business-type activities is included in the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings & improvements	39	years
Vehicles & boats	3 to 5	years
Office equipment	5 to 10	years
Computer equipment	3 to 5	years
Furniture	10	years

**Compensated Absences (Vacation and Sick Leave)**

The County has an accrued liability for accumulated vested vacation benefits payable and for some accumulated sick leave benefits for certain employees. As of December 31, 2005 the accumulated vested vacation and sick leave benefits of the employees based on union/employment contracts for various departments are as follows:

	<u>Vacation</u>	<u>Sick Leave</u>	<u>Total</u>
Accrued vacation and sick leave	<u>\$ 79,118</u>	<u>\$ 281,259</u>	<u>\$ 360,377</u>

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reservations and Designations**

Reservations of fund balance are established to identify (1) claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, for example, inventories and prepayments. Such reserves are not intended as valuation allowances, but merely demonstrate the current unavailability of the subject assets to pay current expenditures. Amounts reserved in the Retirement Systems represent portions of fund equity which are required to be segregated in accordance with County ordinances.

Designations of fund balance indicate plans for future financial resource utilization. These designations represent those portions of fund equity which cannot be appropriated for expenditures.

**Encumbrances**

Encumbrances are commitments under purchase orders, board resolutions and contracts (as opposed to expenditures) and are shown in the governmental fund types as a reserved portion of fund balance for subsequent fiscal year expenditure. The County does not follow Encumbrance Accounting.

**Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations, if any, of fund balance represent tentative management plans that are subject to change.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

The General Fund and Special Revenue Funds operate under formal budgetary control. A general appropriation budget is prepared in accordance with Michigan Public Act 2 of 1968, as amended, and the budgetary document is submitted annually by the County Administrator/Controller to the Finance Committee which recommends formal adoption by the Gladwin County Board of Commissioners. Budgets presented in the financial statements are prepared on a modified accrual basis of accounting and encompass all amendments.

Budgetary control is exercised at the activity level. The Administrator/Controller is authorized to make budget transfers within these funds at the activity level.

The Board of Commissioners is authorized to make and has made supplemental appropriation adjustments to the budget during the fiscal year as deemed necessary at the levels of budgetary control as noted above. These adjustments are reflected in the budget amounts in the financial statements. All encumbered appropriations lapse at the end of the fiscal year.

**Excess of Expenditures Over Appropriations in Budgeted Funds**

During the year, the County incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<b><u>Budgeted Item</u></b>	<b><u>Budget Appropriation</u></b>	<b><u>Actual Expenditure</u></b>
General Fund–District court – P.I.T.	\$ 28,466	\$ 30,059
General Fund–Friend of the court	275,415	275,626
General Fund–Jury commission	185	264
General Fund–Treasurer	125,698	129,795
General Fund–Cooperative extension	62,086	66,565
General Fund–Building and ground	292,864	298,666
General Fund–Drain Commissioner	61,337	65,983
General Fund–Duplicator	20,000	20,519
General Fund–Sheriff	997,338	1,004,978
General Fund–Narcotics	49,833	56,785
General Fund–Jail	910,718	1,015,586
General Fund–Zoning administration	56,030	56,362
General Fund–Emergency 911	607,520	615,281
General Fund–Drains-at-large	-	2,600
General Fund–Public Health	197,838	217,342
General Fund–Employee health services	-	227
General Fund–Medical examiner	41,200	46,407
General Fund–Mental health	9,000	10,716
General Fund–Veterans affairs	66,401	71,063
General Fund–Health insurance	137,680	145,622
General Fund–Capital outlay	106,664	136,186

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 3. CASH, CASH EQUIVALENTS, DEPOSITS, AND INVESTMENTS**

**Michigan Compiled Laws, Section 129.91**, authorizes the County to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The County is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The County board has designated four banks for the deposit of County funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The City's deposits and investment policy are in accordance with statutory authority.

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business- Type Funds	Fiduciary Funds	Total Primary Government	Component Unit
Cash and Cash Equivalents	\$ 3,926,569	\$ 2,183,446	\$ 1,158,976	<b>\$ 7,268,991</b>	\$ 1,762,333

The breakdown between deposits and investments is as follows:

	Primary Government	Component Unit
Bank Deposits (checking and savings, certificate of deposit)	\$ 7,265,391	\$ 1,762,308
Petty Cash and Cash on Hand	3,600	25
Total	<b>\$ 7,268,991</b>	<b>\$ 1,762,333</b>

The bank balance of the primary government deposits is \$7,265,391, of which \$400,000 is covered by federal deposit insurance.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 3. CASH, CASH EQUIVALENTS, DEPOSITS, AND INVESTMENTS (Continued)**

**Investment and Deposit Risk**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. At year end, the County had \$6,868,991 of bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized.

**Custodial Credit Risk – Investments.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that Gladwin County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the County had no investment activity.

**Interest Rate Risk.** Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The County's current investments have no potential interest rate risk.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 4. CAPITAL ASSETS**

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets Not Being Depreciated				
Land	\$ 300,327	\$ -	\$ -	\$ 300,327
Capital Assets Being Depreciated:				
Buildings and Improvements	1,568,964	-	-	1,568,964
Property & Equipment	1,195,498	463,652	-	1,659,150
Vehicles & Boats	280,497	34,265	(32,250)	282,512
Subtotal	3,044,959	497,917	(32,250)	3,510,626
Less Accumulated Depreciation for:				
Buildings and Improvements	1,568,964	-	-	1,568,964
Property & Equipment	859,853	144,688	-	1,004,541
Vehicles & Boats	222,499	40,776	(32,250)	231,025
Subtotal	2,651,316	185,464	-	2,804,530
Net Capital Assets Being Depreciated	393,643	312,453	-	706,096
Governmental Activities Capital Assets—Net of Depreciation	\$ 693,970	\$ 312,453	\$ -	\$ 1,006,423

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. The composition of interfund balances is as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 723,724	General	\$ 1,354,000
Drain Commission	77,300	Drain commission	227,800
Emergency Medical Svc	134,583	Disaster contingency	5,305
Public Works	149,500	2003 Tax Revolving	18,913
Senior Citizens	66,251		
Revenue Sharing	435,747		
2002 Tax Revolving	18,913		
<b>Total</b>	<b>\$ 1,606,018</b>	<b>Total</b>	<b>\$ 1,606,018</b>

Advances to/from other funds:

Fund	Advances to other funds	Fund	Advances from other funds
General fund	\$ 6,300	Drain commission	\$ 6,300
Unallocated tax revolving	1,000,000	2003 tax revolving	500,000
2002 tax revolving	145,000	2004 tax revolving	500,000
2003 tax revolving	600,000	2005 tax revolving	745,000
<b>Total</b>	<b>\$ 1,751,300</b>	<b>Total</b>	<b>\$ 1,751,300</b>

Interfund Transfers:

Fund	Transfers Out	Fund	Transfers In
Parks and Recreation	\$ 900	General	\$ 1,303,218
Emergency Medical	374,779	Wireless E-911	374,779
Friend of the Court	57,953	DHS	15,000
E-911 millage	11,966	Unallocated tax rev	171,558
Revenue sharing	717,419	Remonumentation	4,000
E-911 surcharge	94,000	Law library	8,000
Wireless E-911	130,000	FIA childcare	6,500
Jail Telephone	36,000	Probate court-childcare	150,000
DHS	6,480	Soldiers & sailors	7,000
2002 tax revolving	171,558	Veterans memorial	300
Unallocated tax rev.	250,000		
General	189,300		
<b>Total</b>	<b>\$ 2,040,355</b>	<b>Total</b>	<b>\$ 2,040,355</b>

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 6. LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that directly benefitted from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

<b>General Long-Term Debt</b>	<b>January 1, 2005</b>	<b>Additions (Reductions)</b>	<b>December 31, 2005</b>
Note payable to Ralph and Joanne Lee, due in annual installments of \$7,286 plus interest at 4.39 percent through June, 2006.	\$ 14,571	\$ (14,571)	\$ -
Building Authority Bonds, Series 1996 were issued November 1, 1996 in the amount of \$750,000 under the provisions of Act 31 of 1948 to finance the construction of a public health facility in Gladwin. In accordance with a contractual agreement, the County will provide rental payments to the Building Authority in amounts sufficient to pay the principal and interest on the bonds.	560,000	(35,000)	525,000
Note payable to Isabella Bank and Trust, due in annual installments of \$12,962 including interest at 4.88 percent through July, 2008.	43,866	(10,913)	32,953
Gladwin County, Pary Drain Drainage District. Series 2002 Notes maturing serially through 2012 in annual principal amounts of \$65,000 to \$70,000, with an annual interest rate of 6%.	530,000	(65,000)	465,000

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 6. LONG-TERM DEBT (Continued)**

Gladwin County, Payne Creek Drainage District. Series 2002 Notes maturing serially through 2012 in annual principal amounts of \$45,000 to \$50,000, with an annual interest rate of 6%.

	370,000	(45,000)	325,000
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City of Gladwin Water Supply and Sewage Disposal System No. 1, Series 1996 Bonds were issued March 1, 1996 in the amount of \$1,525,000 under the provisions of Act 185 of 1957 to finance the construction of a water supply system and sewage disposal system improvements to service the City of Gladwin. In accordance with a contractual agreement, the City deposits sufficient money with the County Treasurer to service the annual debt payments.

	1,365,000	(35,000)	1,330,000
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City of Gladwin Water Supply and Sewage Disposal System No. 1, Series 1997 Bonds were issued September 17, 1997 in the amount of \$450,000 under the provisions of Act 185 of 1957 to finance the construction of a water supply system and sewage disposal system improvements to service the City of Gladwin. In accordance with a contractual agreement, the City deposits sufficient money with the County Treasurer to service the annual debt payments.

	270,000	(30,000)	240,000
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**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 6. LONG-TERM DEBT (Continued)**

Michigan Transportation Fund Bonds,  
dated June 1, 2005 in the amount of  
\$2,000,000 to finance the construction of  
road commission vehicle storage  
facilities. Principal payments are due  
annually on February 1, with an interest  
rate ranging from 3.25% to 5.0%, payable  
February 1, and August 1

2,000,000	(100,000)	1,900,000
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Gladwin County Road Commission  
Installment purchase agreements

335,251	(38,205)	297,046
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Accrued vacation and sick leave

549,109	121,879	670,988
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**Total General Long-Term Debt**

<u><u>\$ 6,037,797</u></u>	<u><u>\$ (251,810)</u></u>	<u><u>\$ 5,785,987</u></u>
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The annual principal and interest requirements through maturity for all long-term debt outstanding as of December 31, 2005, are as follows:

<u>Year</u>	<u>General Obligations</u>
2006	\$ 766,660
2007	544,289
2008	532,366
2009	599,947
2010	721,826
2011-2024	4,747,105
	<u>7,912,193</u>
Less interest	<u>2,126,206</u>
<b>Total</b>	<u><u>\$ 5,785,987</u></u>

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 7. RISK MANAGEMENT**

The County is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The County manages risk through the purchase of commercial insurance.

**Liability, vehicle physical damage, and property and crime** - The County is a member of the Michigan Municipal Liability and Property Pool, which is an association organized to purchase commercial insurance for protection against loss for Michigan cities, counties, townships and special service governments. The County is insured up to the following limits: Liability - \$5,000,000, vehicle physical damage - \$5,000,000 and property and crime - \$5,000,000, subject to deductibles of \$1,000, \$100 - \$250 and \$1,000, respectively. The County is not subject to supplemental premium assessments by the association.

**Workers' compensation** - The County purchases coverage through the Michigan Municipal Workers' Compensation Fund. The Fund is authorized by State law to provide its members with coverage required by the Workers' Disability Compensation Act. Claims are subject to a maximum limit of \$500,000 per occurrence.

**NOTE 8. DEFERRED COMPENSATION PLAN**

The County offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries.

The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (County) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the County's financial statements.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 8. DEFERRED COMPENSATION PLAN (Continued)**

A summary of changes in the plan's investment account during the year ended December 31, 2005, follows:

Balance – January 1, 2005	\$ 684,634
Employee Contributions and Transfers	108,025
Current Withdrawals and Transfers	(113,001)
Interest and Market Gains	44,377
Adjustments / Fees	(744)
Balance – December 31, 2005	<hr/> \$ 723,291 <hr/>

**NOTE 9. EMPLOYEES' RETIREMENT PLAN**

Gladwin County maintains a benefit pension plan with the Municipal Employees' Retirement System administered by the State of Michigan. The most recent period for which actuarial data was available is for the fiscal year ended December 31, 2005 for the County. The County's payroll for employees covered by the system's plans for the year ended December 31, 2005, was \$3,313,373.

**Plan Description** - The defined benefit plan is operated by the Municipal Employees Retirement System (MERS), which is an agent multiple-employer retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. MERS issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to:

Municipal Employees Retirement System of Michigan  
447 Canal Road  
Lansing, Michigan 48917

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Benefits vest after 6 years of service. Normal retirement is based on one of the following requirements:

1. Age 60 with 10 or more years of credited service.
2. Age 55 with 15 or more years of credited service.
3. Age 55 with 25 or more years of credited service.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 9. EMPLOYEES' RETIREMENT PLAN (Continued)**

The retirement allowance is reduced  $\frac{1}{2}$  of 1% for each complete month that the retirement date precedes the age at which full normal retirement benefits are available. Pension provisions include allowances whereby an employee may terminate employment with the County after accumulating 6 years of service but before reaching the age of 60 (age 55 or 50 in certain cases). If the employee does not withdraw his or her accumulated contributions, the employee is entitled to all pension benefits upon reaching retirement age as discussed above.

The Disability retirement allowance is provided to employees who are totally and permanently disabled while employed by a participating municipality and after acquiring 10 or more years of credited service. The service requirement is waived if the disability is from service-connected causes. The allowance is computed in the same manner as a service retirement allowance, except that the reduction for retirement before age 60 is not applied. If disability is from service-connected causes, the amount of retirement allowance shall be computed as if the member has acquired exactly 10 years of credited service, if the actually acquired credited service is less than 10 years.

If a member or vested former member with 10 or more years of service dies before retirement, a monthly survivor's allowance may be payable. A named contingent survivor beneficiary (if any) will receive a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100 percent joint and survivor) election. The reduction for retirement before age 60 is not applied. If there is no named beneficiary and the member leaves a spouse, the spouse will receive a survivor's allowance. Payment of a retirement allowance to the surviving spouse of a deceased member commences immediately. Payment of a retirement allowance to the surviving spouse of a deceased vested former member shall not commence prior to the date the member would have first satisfied a Section 10 age and service requirement for an unreduced service retirement allowance. The amount of a surviving spouse's retirement allowance shall be 85 percent of the deceased member's or deceased vested former member's accrued retirement allowance and computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death. If there is no named beneficiary and no retirement allowance being paid to a surviving spouse, unmarried children under 21 will be paid an equal share of 50 percent of the deceased member's or deceased vested member's accrued retirement allowance. The reduction for retirement before age 60 is not applied.

A duty connected death allowance computed in the same manner in all respects as a nonduty-connected death allowance may be payable to a spouse or children if death occurs as the result of performance of duty with a participating municipality. The 10 year service requirement is waived, and the minimum benefit is 25 percent of the deceased member's final average compensation. If no retirement allowance becomes payable at death, the member's accumulated contributions are paid to his or her beneficiary.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 9. EMPLOYEES' RETIREMENT PLAN (Continued)**

Benefit E provides a one-time benefit increase to present retirees and beneficiaries. The amount of the increase is equal to 2 percent of the present benefit times the number of years since the later of retirement or last Benefit E increase. Benefit E may be readopted from time to time.

Benefit E-1 provides automatic 2.5 percent annual noncompounded benefit increases to persons (and their beneficiaries) retired before the effective date of Benefit E-1. Cumulative increases are limited to increases in the consumer price index. The County and the County Road Commission make annual contributions based on the actuarial valuations.

**Funding Policy** - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

**Contributions made and Contributions required** – The MERS' funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The County's normal cost and amortization payment for the year ended December 31, 2005, was determined using an attained age actuarial funding method. Unfunded actuarial liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. During the year ended December 31, 2005, employer contributions totaling \$489,040 was made by the County, which is in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002.

**NOTE 10. PRIOR PERIOD ADJUSTMENTS**

During the year ended December 31, 2005, a prior period adjustment in the amount of (\$236,834) was necessary to properly account for an overstatement of tax revenue and appropriations in the General Fund, during the year ended December 31, 2004. The effect on the fund balance is as follows:

Fund balance, beginning of year, as previously stated	\$ 1,037,692
Prior period adjustments	<u>(236,833)</u>
Fund balance, beginning of year, as restated	<u>\$ 800,859</u>

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 10. PRIOR PERIOD ADJUSTMENTS (continued)**

During the year ended December 31, 2005, a prior period adjustment in the amount of \$134,583 was necessary to properly account for an understatement of tax revenue in the Emergency Medical Service Fund, during the year ended December 31, 2004. The effect on the fund balance is as follows:

Fund balance, beginning of year,	
as previously stated	\$ 561,463
Prior period adjustments	<u>134,583</u>
Fund balance, beginning of year, as restated	<u>\$ 696,046</u>

During the year ended December 31, 2005, a prior period adjustment in the amount of \$66,251 was necessary to properly account for an understatement of tax revenue in the Senior Citizens Fund, during the year ended December 31, 2004. The effect on the fund balance is as follows:

Fund balance, beginning of year,	
as previously stated	\$ 77,079
Prior period adjustments	<u>66,250</u>
Fund balance, beginning of year, as restated	<u>\$ 143,329</u>

During the year ended December 31, 2005, a prior period adjustment in the amount of \$36,000 was necessary to properly account for an overstatement of an appropriation transfer for the Jail Telephone Fund, during the year ended December 31, 2004. The effect on the fund balance is as follows:

Fund balance, beginning of year,	
as previously stated	\$ 18,379
Prior period adjustments	<u>36,000</u>
Fund balance, beginning of year, as restated	<u>\$ 54,379</u>

During the year ended December 31, 2005, a prior period adjustment in the amount of \$36,184 was necessary to properly account for an understatement of net income for the City-County Transit, during the year ended December 31, 2004. The effect on the net assets is as follows:

Net assets, beginning of year,	
as previously stated	\$ 1,767,343
Prior period adjustments	<u>36,184</u>
Net assets, beginning of year, as restated	<u>\$ 1,803,527</u>

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 11. SUBSEQUENT EVENT**

The drain commission just recently completed litigation proceedings concerning the Chappel Dam project, and has been approved in fiscal year 2006 for a \$500,000 bond. The estimated cost of the project not to exceed 2 million dollars to be repaid 2% by Gladwin County, 3% by Sage Township, and the balance of 95% by an assessment levied to the property owners surrounding the dam. The County will also be responsible for paying the assessment levied for two parcels that they own.

**GLADWIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended December 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes and related fees	\$ 3,497,584	\$ 3,503,701	\$ 3,415,299	\$ (88,402)
Licenses and permits	311,765	312,465	273,563	(38,902)
Federal aid	103,220	136,396	169,084	32,688
State aid	570,423	723,301	581,632	(141,669)
Contributions from local units	9,000	22,600	22,600	-
Charges for services	1,201,110	1,301,048	1,307,538	6,490
Interest and dividends	27,700	36,628	69,004	32,376
Miscellaneous	328,453	373,371	357,218	(16,153)
<b>Total revenues</b>	<b>6,049,255</b>	<b>6,409,510</b>	<b>6,195,938</b>	<b>(213,572)</b>
<b>EXPENDITURES</b>				
Legislative				
Board of Commissioners	\$ 180,316	\$ 180,442	\$ 178,734	\$ 1,708
Judicial				
Circuit court	187,218	226,144	219,702	6,442
Circuit court - Reporter	7,650	8,298	2,029	6,269
District court	489,489	520,788	501,429	19,359
District court - P.I.T.	28,035	28,466	30,059	(1,593)
Friend of the court	267,824	275,415	275,626	(211)
Michigan works grant	15,205	15,876	8,264	7,612
Jury commission	185	185	264	(79)
Probate court	316,231	327,688	297,584	30,104
Circuit court probation	16,100	16,299	10,649	5,650
Grand jury	350	350	-	350
General Government				
Elections	13,122	13,739	3,237	10,502
Clerk	250,528	256,860	252,148	4,712
Financial coordinator	14,680	14,680	14,434	246
Equalization	179,622	187,462	178,849	8,613
Prosecuting attorney	308,693	312,651	295,993	16,658
Register of deeds	194,394	195,802	143,471	52,331
Treasurer	118,079	125,698	129,795	(4,097)
Cooperative extention	55,430	62,086	66,565	(4,479)
Data processing	62,000	63,000	55,761	7,239
Building authority	135	135	-	135
Building and grounds	269,147	292,864	298,666	(5,802)
Drain commissioner	58,465	61,337	65,983	(4,646)
Audit services	27,600	33,768	31,268	2,500
Plat board	200	200	-	200
Duplicator	20,000	20,000	20,519	(519)
Telephone contract	20,000	20,000	8,901	11,099
Mail department	54,500	54,500	29,674	24,826
Public safety				
Sheriff	968,178	997,338	1,004,978	(7,640)
Narcotics	44,475	49,833	56,785	(6,952)
Universal hiring	-	172	172	-
Secondary road patrol	62,343	69,307	68,649	658
Marine division	25,407	31,544	29,935	1,609
Junk ordinance department	11,724	11,850	11,155	695
Jail	865,751	910,718	1,015,586	(104,868)
Jail - meals	135,771	139,165	138,226	939
Construction code department	261,655	268,665	263,426	5,239
Planning commission	10,205	14,483	12,256	2,227
Zoning administration	46,401	56,030	56,362	(332)
Emergency 911	534,557	607,520	615,281	(7,761)
Office of emergency preparedness	17,980	19,474	16,188	3,286
Animal control	120,768	123,359	122,829	530
Livestock claims	100	100	-	100

**GLADWIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULE (Concluded)**  
**GENERAL FUND**  
**For the Year Ended December 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Public works				
Department of public works	1,468	1,468	1,341	127
Drains-at-large	-	-	2,600	(2,600)
Health and welfare				
Public health	174,000	197,838	217,342	(19,504)
Employee health service	-	-	227	(227)
Contagious diseases	600	600	524	76
Substance abuse	40,312	42,469	42,469	-
Medical examiner	41,200	41,200	46,407	(5,207)
Mental health	91,531	91,531	91,531	-
Institutional care	5,188	5,188	-	5,188
Mental health - Guardianships	9,000	9,000	10,716	(1,716)
Veterans' affairs	62,674	66,401	71,063	(4,662)
Recreation and culture				
Parks and recreation	15,238	16,312	13,560	2,752
Other				
Insurance and bonds	150,120	166,062	166,009	53
Health insurance	137,680	137,680	145,622	(7,942)
Contingency	140,000	49,905	-	49,905
City/County airport	30,000	30,000	30,000	-
Tax tribunal and board of review	5,000	5,000	2,809	2,191
Capital outlay	55,600	106,664	136,186	(29,522)
<b>Total expenditures</b>	<b>7,220,124</b>	<b>7,581,609</b>	<b>7,509,838</b>	<b>71,771</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,170,869)</b>	<b>(1,172,099)</b>	<b>(1,313,900)</b>	<b>(141,801)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-in	1,205,519	1,210,499	1,303,218	92,719
Transfers-out	(184,300)	(188,050)	(189,300)	(1,250)
<b>Total other financing sources and uses</b>	<b>1,021,219</b>	<b>1,022,449</b>	<b>1,113,918</b>	<b>91,469</b>
<b>Net change in fund balances</b>	<b>(149,650)</b>	<b>(149,650)</b>	<b>(199,982)</b>	<b>(50,332)</b>
Fund balances-beginning (as restated*)	800,859 *	800,859 *	800,859 *	-
<b>Fund balances-ending</b>	<b>\$ 651,209</b>	<b>\$ 651,209</b>	<b>\$ 600,877</b>	<b>\$ (50,332)</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GYPSY MOTH FUND**  
**For the Year Ended December 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes and related fees	\$ 225	\$ 225	\$ -	\$ (225)
State aid	36,500	36,500	36,276	(224)
Interest and dividends	8,500	8,500	35,188	26,688
Miscellaneous	1,240	1,240	1,186	(54)
<b>Total revenues</b>	<b>46,465</b>	<b>46,465</b>	<b>72,650</b>	<b>26,185</b>
<b>EXPENDITURES</b>				
Other	85,014	86,210	84,168	2,042
Capital outlay	1,500	304	-	304
<b>Total expenditures</b>	<b>86,514</b>	<b>86,514</b>	<b>84,168</b>	<b>2,346</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(40,049)</b>	<b>(40,049)</b>	<b>(11,518)</b>	<b>28,531</b>
<b>Net change in fund balances</b>	<b>(40,049)</b>	<b>(40,049)</b>	<b>(11,518)</b>	<b>28,531</b>
Fund balances-beginning	1,080,547	1,080,547	1,080,547	-
<b>Fund balances-ending</b>	<b>\$ 1,040,498</b>	<b>\$ 1,040,498</b>	<b>\$ 1,069,029</b>	<b>\$ 28,531</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2005**

	Special Revenue Funds			
	Emergency Medical Services	Friend of the Court	E-911 Millage	Econ. Dev. Admin.
<b>ASSETS</b>				
Cash and cash equivalents	\$ 340,533	\$ 40,296	\$ 321,592	\$ 3,064
Receivables (net)				
Taxes	790,929	-	379,442	-
Accounts receivable	-	-	-	-
Due from other governmental units	-	5,948	-	-
Due from other funds	134,583	-	-	-
<b>Total assets</b>	<b>\$ 1,266,045</b>	<b>\$ 46,244</b>	<b>\$ 701,034</b>	<b>\$ 3,064</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred revenue				
Taxes and assessments	790,929	-	379,442	-
<b>Total liabilities</b>	<b>790,929</b>	<b>-</b>	<b>379,442</b>	<b>-</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	475,116	46,244	321,592	3,064
<b>Total fund balance</b>	<b>475,116</b>	<b>46,244</b>	<b>321,592</b>	<b>3,064</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,266,045</b>	<b>\$ 46,244</b>	<b>\$ 701,034</b>	<b>\$ 3,064</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2005**

	Special Revenue Funds			
	Courthouse Preservation	Public Improvement	Remonumentation	ROD Technology
<b>ASSETS</b>				
Cash and cash equivalents	\$ 709	\$ 3,604	\$ 1,332	\$ 40,518
Receivables (net)				
Taxes	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governmental units	-	-	35,688	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 709</b>	<b>\$ 3,604</b>	<b>\$ 37,020</b>	<b>\$ 40,518</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 13,559	\$ -
Due to other funds	-	-	-	-
Deferred revenue				
Taxes and assessments	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>13,559</b>	<b>-</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	709	3,604	23,461	40,518
<b>Total fund balance</b>	<b>709</b>	<b>3,604</b>	<b>23,461</b>	<b>40,518</b>
<b>Total liabilities and fund balance</b>	<b>\$ 709</b>	<b>\$ 3,604</b>	<b>\$ 37,020</b>	<b>\$ 40,518</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2005**

	Special Revenue Funds			
	Disaster Contingency	Marriage Counseling	Correction Officer Training	Drug Enforcement
<b>ASSETS</b>				
Cash and cash equivalents	\$ 105,421	\$ 17,110	\$ 26,669	\$ 69,577
Receivables (net)				
Taxes	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 105,421</b>	<b>\$ 17,110</b>	<b>\$ 26,669</b>	<b>\$ 69,577</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	5,305	-	-	-
Deferred revenue				
Taxes and assessments	-	-	-	-
<b>Total liabilities</b>	<b>5,305</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	100,116	17,110	26,669	69,577
<b>Total fund balance</b>	<b>100,116</b>	<b>17,110</b>	<b>26,669</b>	<b>69,577</b>
<b>Total liabilities and fund balance</b>	<b>\$ 105,421</b>	<b>\$ 17,110</b>	<b>\$ 26,669</b>	<b>\$ 69,577</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2005**

	Special Revenue Funds			
	Law Library	County Library	Williams Library Memorial	E-911 4% Surcharge
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,585	\$ -	\$ -	\$ 125,384
Receivables (net)				
Taxes	-	-	-	-
Accounts receivable	-	-	-	11,616
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 1,585</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 137,000</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 900	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred revenue				
Taxes and assessments	-	-	-	-
<b>Total liabilities</b>	<b>900</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	685	-	-	137,000
<b>Total fund balance</b>	<b>685</b>	<b>-</b>	<b>-</b>	<b>137,000</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,585</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 137,000</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2005**

	Special Revenue Funds			
	Wireless E-911	Commissary	Sheriff Training	Jail Telephone
<b>ASSETS</b>				
Cash and cash equivalents	\$ 50,569	\$ 13,156	\$ 3,193	\$ 28,929
Receivables (net)				
Taxes	-	-	-	-
Accounts receivable	163	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 50,732</b>	<b>\$ 13,156</b>	<b>\$ 3,193</b>	<b>\$ 28,929</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred revenue				
Taxes and assessments	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	50,732	13,156	3,193	28,929
<b>Total fund balance</b>	<b>50,732</b>	<b>13,156</b>	<b>3,193</b>	<b>28,929</b>
<b>Total liabilities and fund balance</b>	<b>\$ 50,732</b>	<b>\$ 13,156</b>	<b>\$ 3,193</b>	<b>\$ 28,929</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2005**

	Special Revenue Funds			
	Project Fresh	Senior Citizens Program	FIA - Social Welfare	FIA - Child Care
<b>ASSETS</b>				
Cash and cash equivalents	\$ 36,102	\$ 66,941	\$ 28,877	\$ 8,171
Receivables (net)				
Taxes	-	395,424	-	-
Accounts receivable	-	-	-	-
Due from other governmental units	-	-	2,944	-
Due from other funds	-	66,251	-	-
<b>Total assets</b>	<b>\$ 36,102</b>	<b>\$ 528,616</b>	<b>\$ 31,821</b>	<b>\$ 8,171</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 13,000	\$ -
Due to other funds	-	-	-	-
Deferred revenue				
Taxes and assessments	-	395,424	-	-
<b>Total liabilities</b>	<b>-</b>	<b>395,424</b>	<b>13,000</b>	<b>-</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	36,102	133,192	18,821	8,171
<b>Total fund balance</b>	<b>36,102</b>	<b>133,192</b>	<b>18,821</b>	<b>8,171</b>
<b>Total liabilities and fund balance</b>	<b>\$ 36,102</b>	<b>\$ 528,616</b>	<b>\$ 31,821</b>	<b>\$ 8,171</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2005**

	Special Revenue Funds			
	Probate Court - Child Care	Soldiers & Sailors	Veterans	Veterans Memorial Restoration
<b>ASSETS</b>				
Cash and cash equivalents	\$ 163,053	\$ 10,471	\$ 5	\$ 728
Receivables (net)				
Taxes	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 163,053</b>	<b>\$ 10,471</b>	<b>\$ 5</b>	<b>\$ 728</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,860	\$ -	\$ 100	\$ -
Due to other funds	-	-	-	-
Deferred revenue				
Taxes and assessments	-	-	-	-
<b>Total liabilities</b>	<b>1,860</b>	<b>-</b>	<b>100</b>	<b>-</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	161,193	10,471	(95)	728
<b>Total fund balance</b>	<b>161,193</b>	<b>10,471</b>	<b>(95)</b>	<b>728</b>
<b>Total liabilities and fund balance</b>	<b>\$ 163,053</b>	<b>\$ 10,471</b>	<b>\$ 5</b>	<b>\$ 728</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2005**

	<b>Special Revenue Funds</b>		
	<b>Parks &amp; Recreation - Little League</b>	<b>Revenue Sharing Reserve Fund</b>	<b>TOTAL Special Revenue</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 1,507,589
Receivables (net)			
Taxes	-	1,153,166	2,718,961
Accounts receivable	-	-	11,779
Due from other governmental units	-	-	44,580
Due from other funds	-	435,747	636,581
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 1,588,913</b>	<b>\$ 4,919,490</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ 29,419
Due to other funds	-	-	5,305
Deferred revenue			
Taxes and assessments	-	1,153,166	2,718,961
<b>Total liabilities</b>	<b>-</b>	<b>1,153,166</b>	<b>2,753,685</b>
<b>Fund balance</b>			
Unreserved			
Undesignated	-	435,747	2,165,805
<b>Total fund balance</b>	<b>-</b>	<b>435,747</b>	<b>2,165,805</b>
<b>Total liabilities and fund balance</b>	<b>\$ -</b>	<b>\$ 1,588,913</b>	<b>\$ 4,919,490</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2005**

	<b>Debt Service Funds</b>	
	<b>MTF Bond Series 2004</b>	<b>Total Debt Service</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ -
Receivables (net)		
Taxes	-	-
Accounts receivable	-	-
Due from other governmental units	-	-
Due from other funds	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Due to other funds	-	-
Deferred revenue	-	-
Taxes and assessments	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>		
Unreserved		
Undesignated	-	-
<b>Total fund balance</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2005**

	<b>Capital Project Funds</b>			
	<b>Vehicle Storage Facility Construction</b>	<b>Public Works</b>	<b>E-911 Dispatch Construction</b>	<b>Total Capital Project Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 472	\$ 532	\$ 103	\$ 1,107
Receivables (net)				
Taxes	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	149,500	-	149,500
<b>Total assets</b>	<b>\$ 472</b>	<b>\$ 150,032</b>	<b>\$ 103</b>	<b>\$ 150,607</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred revenue				
Taxes and assessments	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	472	150,032	103	150,607
<b>Total fund balance</b>	<b>472</b>	<b>150,032</b>	<b>103</b>	<b>150,607</b>
<b>Total liabilities and fund balance</b>	<b>\$ 472</b>	<b>\$ 150,032</b>	<b>\$ 103</b>	<b>\$ 150,607</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Concluded)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2005**

	<b>Total Nonmajor Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,508,696
Receivables (net)	
Taxes	2,718,961
Accounts receivable	11,779
Due from other governmental units	44,580
Due from other funds	786,081
	<hr/>
<b>Total assets</b>	<b>\$ 5,070,097</b>
	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 29,419
Due to other funds	5,305
Deferred revenue	
Taxes and assessments	2,718,961
	<hr/>
<b>Total liabilities</b>	<b>2,753,685</b>
	<hr/>
<b>Fund balance</b>	
Unreserved	
Undesignated	2,316,412
	<hr/>
<b>Total fund balance</b>	<b>2,316,412</b>
	<hr/>
<b>Total liabilities and fund balance</b>	<b>\$ 5,070,097</b>
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	Special Revenue Funds			
	Emergency Medical Services	Friend of the Court	E-911 Millage	Econ. Dev. Admin.
<b>REVENUES</b>				
Property taxes and related fees	\$ 703,994	\$ -	\$ 357,473	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	88,988	-	-
State aid	-	-	-	-
Contributions	-	-	-	-
Charges for services	-	5,850	-	-
Fines, fees, and forfeits	-	-	-	-
Interest and dividends	14,209	1,065	15,611	79
Sale of assets	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>718,203</b>	<b>95,903</b>	<b>373,084</b>	<b>79</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	2,575	-
Public works	-	-	-	-
Health and welfare	564,354	6,905	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Depreciation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>564,354</b>	<b>6,905</b>	<b>2,575</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>153,849</b>	<b>88,998</b>	<b>370,509</b>	<b>79</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation to new entity	-	-	-	-
Transfers-in	-	-	-	-
Transfers-out	(374,779)	(57,953)	(11,966)	-
<b>Total other financing sources and uses</b>	<b>(374,779)</b>	<b>(57,953)</b>	<b>(11,966)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(220,930)</b>	<b>31,045</b>	<b>358,543</b>	<b>79</b>
Fund balances-beginning (as restated*)	696,046	15,199	(36,951)	2,985
<b>Fund balances-ending</b>	<b>\$ 475,116</b>	<b>\$ 46,244</b>	<b>\$ 321,592</b>	<b>\$ 3,064</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	Special Revenue Funds			
	Courthouse Preservation	Public Improvement	Remonumentation	ROD Technology
<b>REVENUES</b>				
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	-	-	-
State aid	-	-	57,001	-
Contributions	-	-	-	-
Charges for services	-	-	-	51,875
Fines, fees, and forfeits	-	-	-	-
Interest and dividends	19	465	203	769
Sale of assets	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>19</b>	<b>465</b>	<b>57,204</b>	<b>52,644</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	-	-	-	-
General government	-	-	29,834	42,435
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Other	2,500	-	-	-
Capital outlay	-	-	-	5,500
Depreciation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>2,500</b>	<b>-</b>	<b>29,834</b>	<b>47,935</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,481)</b>	<b>465</b>	<b>27,370</b>	<b>4,709</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation to new entity	-	-	-	-
Transfers-in	-	-	4,000	-
Transfers-out	-	-	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>4,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(2,481)</b>	<b>465</b>	<b>31,370</b>	<b>4,709</b>
Fund balances-beginning (as restated*)	3,190	3,139	(7,909)	35,809
<b>Fund balances-ending</b>	<b>\$ 709</b>	<b>\$ 3,604</b>	<b>\$ 23,461</b>	<b>\$ 40,518</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	Special Revenue Funds			
	Disaster Contingency	Marriage Counseling	Correction Officer Training	Drug Enforcement
<b>REVENUES</b>				
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	-	-	-
State aid	-	-	-	-
Contributions	-	-	-	-
Charges for services	-	2,640	11,750	-
Fines, fees, and forfeits	-	-	-	353
Interest and dividends	3,541	520	602	1,439
Sale of assets	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>3,541</b>	<b>3,160</b>	<b>12,352</b>	<b>1,792</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	-	4,049	-	-
General government	-	-	-	-
Public safety	(63)	-	1,584	716
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Depreciation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>(63)</b>	<b>4,049</b>	<b>1,584</b>	<b>716</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,604</b>	<b>(889)</b>	<b>10,768</b>	<b>1,076</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation to new entity	-	-	-	-
Transfers-in	-	-	-	-
Transfers-out	-	-	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>3,604</b>	<b>(889)</b>	<b>10,768</b>	<b>1,076</b>
Fund balances-beginning (as restated*)	96,512	17,999	15,901	68,501
<b>Fund balances-ending</b>	<b>\$ 100,116</b>	<b>\$ 17,110</b>	<b>\$ 26,669</b>	<b>\$ 69,577</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	Special Revenue Funds			
	Law Library	County Library	Williams Library Memorial	E-911 4% Surcharge
<b>REVENUES</b>				
Property taxes and related fees	\$ -	\$ 115,147	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	-	-	-
State aid	-	2,086	-	-
Contributions	-	1,614	-	-
Charges for services	-	62,431	-	154,172
Fines, fees, and forfeits	-	-	-	-
Interest and dividends	60	1,394	3,701	3,008
Sale of assets	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>60</b>	<b>182,672</b>	<b>3,701</b>	<b>157,180</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	8,433	-	-	-
General government	-	-	-	-
Public safety	-	-	-	3,928
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	167,396	-	-
Other	-	-	7,491	-
Capital outlay	-	-	-	-
Depreciation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>8,433</b>	<b>167,396</b>	<b>7,491</b>	<b>3,928</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(8,373)</b>	<b>15,276</b>	<b>(3,790)</b>	<b>153,252</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation to new entity	-	(115,083)	(330,164)	-
Transfers-in	8,000	-	-	-
Transfers-out	-	-	-	(94,000)
<b>Total other financing sources and uses</b>	<b>8,000</b>	<b>(115,083)</b>	<b>(330,164)</b>	<b>(94,000)</b>
<b>Net change in fund balances</b>	<b>(373)</b>	<b>(99,807)</b>	<b>(333,954)</b>	<b>59,252</b>
Fund balances-beginning (as restated*)	1,058	99,807	333,954	77,748
<b>Fund balances-ending</b>	<b>\$ 685</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 137,000</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	Special Revenue Funds			
	Wireless E-911	Commissary	Sheriff Training	Jail Telephone
<b>REVENUES</b>				
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	-	-	-
State aid	80,716	-	1,907	-
Contributions	-	-	-	-
Charges for services	-	53,802	-	-
Fines, fees, and forfeits	-	-	-	-
Interest and dividends	2,112	64	101	1,558
Sale of assets	-	-	-	-
Miscellaneous	1,406	-	-	17,983
<b>Total revenues</b>	<b>84,234</b>	<b>53,866</b>	<b>2,008</b>	<b>19,541</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	8,061	53,931	1,507	8,991
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Other	-	-	-	-
Capital outlay	356,231	-	-	-
Depreciation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>364,292</b>	<b>53,931</b>	<b>1,507</b>	<b>8,991</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(280,058)</b>	<b>(65)</b>	<b>501</b>	<b>10,550</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation to new entity	-	-	-	-
Transfers-in	374,779	-	-	-
Transfers-out	(130,000)	-	-	(36,000)
<b>Total other financing sources and uses</b>	<b>244,779</b>	<b>-</b>	<b>-</b>	<b>(36,000)</b>
<b>Net change in fund balances</b>	<b>(35,279)</b>	<b>(65)</b>	<b>501</b>	<b>(25,450)</b>
Fund balances-beginning (as restated*)	86,011	13,221	2,692	54,379 *
<b>Fund balances-ending</b>	<b>\$ 50,732</b>	<b>\$ 13,156</b>	<b>\$ 3,193</b>	<b>\$ 28,929</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	Special Revenue Funds			
	Project Fresh	Senior Citizens Program	FIA - Social Welfare	FIA - Child Care
<b>REVENUES</b>				
Property taxes and related fees	\$ -	\$ 346,517	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	-	-	-
State aid	16,408	-	35,696	636
Contributions	1,373	-	15,849	-
Charges for services	-	-	-	-
Fines, fees, and forfeits	-	-	-	-
Interest and dividends	872	4,901	-	-
Sale of assets	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>18,653</b>	<b>351,418</b>	<b>51,545</b>	<b>636</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	20,200	361,555	66,230	1,689
Recreation and cultural	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Depreciation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>20,200</b>	<b>361,555</b>	<b>66,230</b>	<b>1,689</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,547)</b>	<b>(10,137)</b>	<b>(14,685)</b>	<b>(1,053)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation to new entity	-	-	-	-
Transfers-in	-	-	15,000	6,500
Transfers-out	-	-	(6,480)	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>8,520</b>	<b>6,500</b>
<b>Net change in fund balances</b>	<b>(1,547)</b>	<b>(10,137)</b>	<b>(6,165)</b>	<b>5,447</b>
Fund balances-beginning (as restated*)	37,649	143,329	24,986	2,724
<b>Fund balances-ending</b>	<b>\$ 36,102</b>	<b>\$ 133,192</b>	<b>\$ 18,821</b>	<b>\$ 8,171</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	Special Revenue Funds			
	Probate Court - Child Care	Soldiers & Sailors	Veterans	Veterans Memorial Restoration
<b>REVENUES</b>				
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	-	-	-
State aid	32,052	-	3,501	-
Contributions	-	-	-	-
Charges for services	-	-	-	-
Fines, fees, and forfeits	-	-	-	-
Interest and dividends	3,645	265	6	18
Sale of assets	-	-	-	-
Miscellaneous	3,403	-	-	-
<b>Total revenues</b>	<b>39,100</b>	<b>265</b>	<b>3,507</b>	<b>18</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	104,430	5,158	4,020	-
Recreation and cultural	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Depreciation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>104,430</b>	<b>5,158</b>	<b>4,020</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(65,330)</b>	<b>(4,893)</b>	<b>(513)</b>	<b>18</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation to new entity	-	-	-	-
Transfers-in	150,000	7,000	-	300
Transfers-out	-	-	-	-
<b>Total other financing sources and uses</b>	<b>150,000</b>	<b>7,000</b>	<b>-</b>	<b>300</b>
<b>Net change in fund balances</b>	<b>84,670</b>	<b>2,107</b>	<b>(513)</b>	<b>318</b>
Fund balances-beginning (as restated*)	76,523	8,364	418	410
<b>Fund balances-ending</b>	<b>\$ 161,193</b>	<b>\$ 10,471</b>	<b>\$ (95)</b>	<b>\$ 728</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	Special Revenue Funds		
	Parks & Recreation - Little League	Revenue Sharing Reserve Fund	TOTAL Special Revenue
<b>REVENUES</b>			
Property taxes and related fees	\$ -	\$ 1,153,166	\$ 2,676,297
Licenses and permits	-	-	-
Federal aid	-	-	88,988
State aid	-	-	230,003
Contributions	-	-	18,836
Charges for services	-	-	342,520
Fines, fees, and forfeits	-	-	353
Interest and dividends	-	-	60,227
Sale of assets	-	-	-
Miscellaneous	900	-	23,692
<b>Total revenues</b>	<b>900</b>	<b>1,153,166</b>	<b>3,440,916</b>
<b>EXPENDITURES</b>			
Legislative	\$ -	\$ -	\$ -
Judicial	-	-	12,482
General government	-	-	72,269
Public safety	-	-	81,230
Public works	-	-	-
Health and welfare	-	-	1,134,541
Recreation and cultural	-	-	167,396
Other	-	-	9,991
Capital outlay	-	-	361,731
Depreciation	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>1,839,640</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>900</b>	<b>1,153,166</b>	<b>1,601,276</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Appropriation to new entity	-	-	(445,247)
Transfers-in	-	-	565,579
Transfers-out	(900)	(717,419)	(1,429,497)
<b>Total other financing sources and uses</b>	<b>(900)</b>	<b>(717,419)</b>	<b>(1,309,165)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>435,747</b>	<b>292,111</b>
Fund balances-beginning (as restated*)	-	-	1,873,694
<b>Fund balances-ending</b>	<b>\$ -</b>	<b>\$ 435,747</b>	<b>\$ 2,165,805</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	<b>Debt Service Funds</b>	
	<b>MTF Bond Series 2004</b>	<b>Total Debt Service</b>
<b>REVENUES</b>		
Property taxes and related fees	\$ -	\$ -
Licenses and permits	-	-
Federal aid	-	-
State aid	-	-
Contributions	(4,914)	(4,914)
Charges for services	-	-
Fines, fees, and forfeits	-	-
Interest and dividends	4	4
Sale of assets	-	-
Miscellaneous	-	-
<b>Total revenues</b>	<b>(4,910)</b>	<b>(4,910)</b>
<b>EXPENDITURES</b>		
Legislative	\$ -	\$ -
Judicial	-	-
General government	-	-
Public safety	-	-
Public works	-	-
Health and welfare	-	-
Recreation and cultural	-	-
Other	-	-
Capital outlay	-	-
Depreciation	-	-
Debt service	-	-
Principal	-	-
Interest	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(4,910)</b>	<b>(4,910)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Appropriation to new entity	-	-
Transfers-in	-	-
Transfers-out	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(4,910)</b>	<b>(4,910)</b>
Fund balances-beginning ( <b>as restated</b> *)	4,910	4,910
<b>Fund balances-ending</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	Capital Project Funds			
	Vehicle Storage Facility Construction	Public Works	E-911 Dispatch Construction	Total Capital Project Funds
<b>REVENUES</b>				
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	-	-	-
State aid	-	-	-	-
Contributions	(40,052)	-	-	(40,052)
Charges for services	-	-	-	-
Fines, fees, and forfeits	-	-	-	-
Interest and dividends	210	14	3	227
Sale of assets	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>(39,842)</b>	<b>14</b>	<b>3</b>	<b>(39,825)</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	277,266	-	1,783	279,049
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Depreciation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>277,266</b>	<b>-</b>	<b>1,783</b>	<b>279,049</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(317,108)</b>	<b>14</b>	<b>(1,780)</b>	<b>(318,874)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation to new entity	-	-	-	-
Transfers-in	-	-	-	-
Transfers-out	-	-	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(317,108)</b>	<b>14</b>	<b>(1,780)</b>	<b>(318,874)</b>
Fund balances-beginning (as restated*)	317,580	150,018	1,883	469,481
<b>Fund balances-ending</b>	<b>\$ 472</b>	<b>\$ 150,032</b>	<b>\$ 103</b>	<b>150,607</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Concluded)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	<b>Total Nonmajor Funds</b>
<b>REVENUES</b>	
Property taxes and related fees	\$ 2,676,297
Licenses and permits	-
Federal aid	88,988
State aid	230,003
Contributions	(26,130)
Charges for services	342,520
Fines, fees, and forfeits	353
Interest and dividends	60,458
Sale of assets	-
Miscellaneous	23,692
<b>Total revenues</b>	<b>3,396,181</b>
<b>EXPENDITURES</b>	
Legislative	\$ -
Judicial	12,482
General government	72,269
Public safety	81,230
Public works	279,049
Health and welfare	1,134,541
Recreation and cultural	167,396
Other	9,991
Capital outlay	361,731
Depreciation	-
Debt service	
Principal	-
Interest	-
<b>Total expenditures</b>	<b>2,118,689</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,277,492</b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Appropriation to new entity	(445,247)
Transfers-in	565,579
Transfers-out	(1,429,497)
<b>Total other financing sources and uses</b>	<b>(1,309,165)</b>
<b>Net change in fund balances</b>	<b>(31,673)</b>
Fund balances-beginning ( <b>as restated*</b> )	2,348,085
<b>Fund balances-ending</b>	<b>2,316,412</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**December 31,2005**

	<b>County Road Commission</b>	<b>City/County Transit</b>	<b>Dept. of Public Works</b>	<b>Drain Commission</b>	<b>Building Authority</b>	<b>Total Component Units</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 587,944	\$ 462,074	\$ 7,679	\$ 609,841	\$ 94,795	\$ 1,762,333
Receivables (net)						
Taxes	1,364,850	-	-	-	-	1,364,850
Accounts receivable	1,043,517	4,518	-	-	-	1,048,035
Other receivable	-	-	1,570,000	-	-	1,570,000
Due from other governmental units	546	17,308	-	-	-	17,854
Due from other funds	-	-	-	77,300	-	77,300
Inventories	223,301	43,710	-	-	-	267,011
Prepaid expenses	-	74,978	-	-	-	74,978
Other assets	20,682	-	-	-	-	20,682
Capital assets, net						
Land	108,225	14,135	-	-	-	122,360
Buildings	-	625,581	-	-	750,000	1,375,581
Equipment	3,363,633	565,326	-	-	-	3,928,959
Infrastructure	6,888,399	-	-	1,271,300	-	8,159,699
Construction in progress	190,265	-	-	-	-	190,265
<b>Total assets</b>	<b>13,791,362</b>	<b>1,807,630</b>	<b>1,577,679</b>	<b>1,958,441</b>	<b>844,795</b>	<b>19,979,907</b>
<b>LIABILITIES</b>						
<b>Liabilities</b>						
Accounts payable	142,551	17,637	-	140,096	-	300,284
Accrued liabilities	76,599	13,426	-	-	-	90,025
Due to other funds	-	-	-	227,800	-	227,800
Advances from other governmental units	155,286	-	-	-	-	155,286
Advances from other funds	-	-	-	6,300	-	6,300
Deferred revenue	1,393,279	55,989	-	-	-	1,449,268
Long-term liabilities:						
Bonds and contracts payable	2,197,046	-	1,570,000	822,953	525,000	5,114,999
Compensated absences	289,018	21,593	-	-	-	310,611
<b>Total liabilities</b>	<b>4,253,779</b>	<b>108,645</b>	<b>1,570,000</b>	<b>1,197,149</b>	<b>525,000</b>	<b>7,654,573</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	8,215,271	1,205,042	(1,570,000)	448,347	225,000	8,523,660
Unrestricted	1,322,312	493,943	1,577,679	312,945	94,795	3,801,674
<b>Total net assets</b>	<b>\$ 9,537,583</b>	<b>\$ 1,698,985</b>	<b>\$ 7,679</b>	<b>\$ 761,292</b>	<b>\$ 319,795</b>	<b>\$ 12,325,334</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**For the Year Ended December 31, 2005**

Functions / Programs	Program Revenues					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenues	
Component unit						
County Road Commission						
Governmental Activities:						
Public works	\$ 4,424,333	\$ 2,089,632	\$ 3,310,913	\$ 309,279	\$ 1,285,491	
Interest on long-term debt	-	-	-	-	-	
	<u>4,424,333</u>	<u>2,089,632</u>	<u>3,310,913</u>	<u>309,279</u>	<u>1,285,491</u>	
City/County Transit						
Business Activities:						
Public works	1,462,446	226,996	622,199	139,474	(473,777)	
Interest on long-term debt	-	-	-	-	-	
	<u>1,462,446</u>	<u>226,996</u>	<u>622,199</u>	<u>139,474</u>	<u>(473,777)</u>	
Department of Public Works						
Governmental Activities:						
Public works	-	-	-	-	-	
Interest on long-term debt	94,468	-	-	-	(94,468)	
	<u>94,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,468)</u>	
Drain Commission						
Governmental Activities:						
Public works	389,360	-	-	-	(389,360)	
Interest on long-term debt	39,447	-	-	-	(39,447)	
	<u>428,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(428,807)</u>	
Building Authority						
Governmental Activities:						
Public works	350	72,250	-	-	71,900	
Interest on long-term debt	30,237	-	-	-	(30,237)	
	<u>30,587</u>	<u>72,250</u>	<u>-</u>	<u>-</u>	<u>41,663</u>	
	<u>\$ 6,440,641</u>	<u>\$ 2,388,878</u>	<u>\$ 3,933,112</u>	<u>\$ 448,753</u>	<u>\$ 330,102</u>	
	County Road Commission	City/County Transit	Dept. of Public Works	Drain Commission	Building Authority	Total
Net (expense) revenue	\$ 1,285,491	\$ (473,777)	\$ (94,468)	\$ (428,807)	\$ 41,663	\$ 330,102
General revenues:						
Property taxes and related fees	1,307,073	356,927	-	497,880	-	2,161,880
Federal aid	-	-	-	-	-	-
State aid	-	-	-	-	-	-
Local contributions	-	-	94,468	-	-	94,468
Interest and dividends	40,619	10,308	68	19,859	2,555	73,409
Miscellaneous	93,517	2,000	-	-	-	95,517
	<u>1,441,209</u>	<u>369,235</u>	<u>94,536</u>	<u>517,739</u>	<u>2,555</u>	<u>2,425,274</u>
Total general revenues	1,441,209	369,235	94,536	517,739	2,555	2,425,274
Change in net assets	2,726,700	(104,542)	68	88,932	44,218	2,755,376
Net assets, beginning of year (as restated*)	6,810,883	1,803,527 *	7,611	672,360	275,577	9,569,958
Net assets, end of year	\$ 9,537,583	\$ 1,698,985	\$ 7,679	\$ 761,292	\$ 319,795	\$ 12,325,334

The accompanying notes are an integral part of these financial statements.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Gladwin County Board of Commissioners  
Gladwin County Courthouse  
401 West Cedar Avenue  
Gladwin, MI 48624

We have audited the general purpose financial statements of Gladwin County, Michigan, as of and for the year ended December 31, 2005, and have issued our report thereon dated April 12, 2006. We did not audit the financial statements of the Gladwin County Road Commission or the City-County Transit, which represent 91% of fund equity and 74% of the revenues of the County's component units. Those financial statements were audited by other auditors whose report thereon have been provided to us, and our opinion, insofar as it relates to the amounts included for the Gladwin County Road Commission Funds or the City-County Transit, is based solely on the reports of other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gladwin County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Accounting Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gladwin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

In planning and performing our audit of the financial statements of Gladwin County for the year ended December 31, 2005, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

This report is intended solely for the information and use of management, others within the organization, the Gladwin County Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Burnside & Langley P.C.*

Midland, Michigan  
April 12, 2006

April 12, 2006

Members of the Board of  
County Commissioners  
Gladwin County  
401 West Cedar Avenue  
Gladwin, Michigan 48624

Dear Commission Members:

In planning and performing our audit of the financial statements of Gladwin County, for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

## **REPORTABLE CONDITIONS**

### **Bank Reconciliations**

Audit adjustments were required to reconcile cash balances to the general ledger. As stated in the Michigan Department of Treasury's *Uniform Accounting Procedures Manual*, "All bank accounts must be reconciled to the general ledger monthly."

Due to the volume of pooled cash accounts, we recommend that Deputy Treasurer use the spread sheet we prepared and used during the time of our audit field work. This should help facilitate balancing each bank account to its corresponding general ledger cash account.

Vendor Invoices and Accounts Payable (Repeat Comment)

We found that the Drain Commission was still in possession of unrecorded invoices for cost incurred during 2005. These invoices totaling \$140,095 required an audit adjustment to set-up an accounts payable and to properly record expenditures. This is the result of vendor invoices not being received directly by the County Clerk's Office and input timely into the accounting information system.

According to proper financial recording and generally accepted accounting procedures all expenditures should be recorded at the time their incurred. We recommend the County implement a more streamlined incoming mail process. All mail should go through a central contact, and invoices to the Treasurer or Clerk in a timely fashion.

District Court Bank Accounts (Repeat Comment)

Friend of the Court and District Court need to reconcile bank accounts and give to Treasurer on a monthly basis. We recommend researching the law on requirements for monthly reconciling and reporting to the Treasurer and implementing this requirement.

**OTHER MATTERS**

The following item, although not considered a reportable condition, is a matter we believe worthy of your consideration.

Conflict of Interest Policy (Repeat)

The County has not adopted a formal conflict of interest policy that addresses transactions with related parties such as when awarding contracts and purchasing goods and services. We recommend the County document, in writing, a policy and related procedures that address disclosure requirements regarding transactions and relationships that may involve potential conflicts of interests. Among other matters the policy should provide that:

- No undisclosed or unrecorded asset is to be established for any purpose.
- No false entries are to be made in the books for any reason, and no employee shall engage in any arrangement that results in such prohibited act.
- No payments are to be approved or made with the intention that any part is to be used for any purpose other than that described in the supporting documents.

This policy and procedure will provide guidance to the Board members for related party transactions and help ensure inappropriate influence over decisions is avoided.

Appropriations in Budgetary Funds

P.A. 2 of 1968, as amended, provides that a governmental unit shall not incur expenditures in excess of amount appropriated. We noted during our audit that the County incurred expenditures in excess of amounts appropriated in some fund and line items.

We recommend that the budget be amended during the year to account for expenditures in excess of the original budget amounts. These amendments must be approved by the County Commissioners and documented in the Commission minutes. This will help the County from incurring expenditures in excess of appropriations.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the December 31, 2005, financial statements, and this report does not affect our report on those financial statements dated April 12, 2006. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Board of County Commissioners, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script that reads "Burnside & Lang, P.C." with a stylized flourish at the end.

**BURNSIDE & LANG, P.C.**